

INTRODUCTION

The Federal Insurance Contribution Act (FICA) tax is an employment tax imposed by the federal government on both employees and employers to fund social security and Medicare. In the home help program, clients are the employers and providers are the employees.

AUTHORIZATION FOR WITHHOLDING OF FICA TAX IN HOME HELP PAYMENTS (DHS- 4771)

The DHS-4771, Authorization for Withholding of FICA Tax in Home Help Payments, allows the state of Michigan to act as the client's filing agent. The state of Michigan will withhold FICA taxes from the wages paid, on the client's behalf, to individual home help services providers.

The Michigan Department of Health and Human Services (MDHHS) will pay the amount of FICA tax the client is responsible for and withhold the provider's portion from the monthly home help payment. The combined amounts will be sent to the Internal Revenue Service.

MDHHS, acting as the client's agent, will file an IRS-941, Employer's Quarterly Federal Tax Return, for the client and issue a W-2 for the individual provider at the end of the year. This enables the provider to obtain work credits for Social Security and Medicare benefits.

The **client's** signature and date is required on the DHS-4771. It is completed as part of the initial comprehensive assessment process.

The DHS-4771 is completed **once**, for all new home help cases. The signed and dated form must be retained in the client's case record in the **Do Not Destroy** packet.

Exclusions

FICA is not withheld from home help payments when the provider is one of the following:

- Parent (including adoptive, foster, stepparent).

Note: If a parent provider requests FICA to be withheld, change the provider assignment in ASCAP to other relative and provide explanation in narrative.

- Children 18 through 20 years old providing home help to a parent.
- Agency/business.

Note: The state of Michigan does not pay the FICA employer portion on the above exclusions. If the client has selected the Medicaid Personal Care Option, the state is **not** responsible for paying FICA tax on the Medicaid deductible paid by the client to the provider each month.

FICA Rebates

FICA rebates are issued to **all** individual providers who earn **less** than the gross limit set by the federal government; see www.irs.gov/pub/irs-pdf/p15.pdf.

The MDHHS Medicaid Payments unit (MPU) issues FICA rebates at the end of the calendar year. The FICA rebate warrant is issued to the provider only.

The adult services specialist will be able to identify FICA rebate warrants in ASCAP by the service period and service code. The service period will reflect the entire year. ASCAP will display 'FICA' for the service code.

Note: If a FICA rebate warrant is returned to Treasury as undeliverable, ASAP will generate a DCH-2362A for the warrant to be rewritten or canceled.

FICA Reimbursement

If a provider is coded incorrectly and FICA is withheld in error, the adult services specialist must send an email to the MDHHS Medicaid Payments unit mailbox at:MDHHS-Medicaid-Payments-Unit@michigan.gov

The email must include:

- Provider ID number.

- Client recipient ID number.
- Summary describing the error and time period
- Amount of FICA withheld in error.
- Warrant number (s) where the error occurred.

MPU will issue a warrant reimbursing all FICA at the end of the calendar year.